

To managers and controllers of Itaipu Binacional
Brasília – DF

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

We audited the financial statements of Itaipu Binacional, which comprise the balance sheet as of 31 december 2012, the respective income statements and statements on sources and use of resources, corresponding to the period ended on that date, expressed in dollars of the United States of America, elaborated in accordance to the specific dispositions contained on the Treaty of 26 april 1973 (cited on explanatory note 2), under the responsibility of your management.

Management's responsibility concerning financial statements

The management of Itaipu Binacional is responsible for the preparation and adequate presentation of financial statements in accordance with accounting practices adopted in Brazil and Paraguay, for the internal controls that it deemed necessary to allow the elaboration of financial statements free of relevant distortion, regardless of it being caused by fraud or error, of selecting and applying adequate accounting policies, and of elaboration of accounting estimates that are reasonable for the circumstances.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, which was conducted in accordance with auditing standards adopted in Brazilian and Paraguay. Those standards require fulfillment of ethical exigencies by auditors and that the audit be planned and implemented with the object of obtaining reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures selected to obtain evidence about amounts and disclosures presented in financial statements. Selected procedures depend on the auditor's judgment, including assessment of risks of material misstatement on financial statements, whether due to fraud or error. In such risk assessment, the auditor considers relevant internal controls for preparation and adequate presentation of the entity's financial statements, to plan audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluation of the appropriateness of accounting practices used and of the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements taken as a whole.

We believe that the audit evidence obtained is sufficient and appropriate to base our opinion.

Opinion

In our opinion, the financial statements, when read in conjunction with the accompanying explanatory notes, present fairly, in all material respects, the financial and equity situation of Itaipu Binacional on 31 december 2012, the results of its operations and the origins and uses of funds corresponding to the year then ended, in accordance with the specific provisions contained in the Treaty of 26 april 1973 (cited in note 2), and substantiated in the accounts plan and policies for elaboration of accounting records, approved by the Management Board of Itaipu Binacional. These accounting standards differ, in some relevant aspects, from accounting practices adopted in Brazil and Paraguay, as described in explanatory note 2 (i) to (v).

Emphasis

Actuarial

As discussed in Note No. 20), Caja Paraguaya de Jubilaciones y Pensiones del Personal of her Itaipu - CAJUBI, the entity that administers the retirement program and pensions of employees of Itaipu, Paraguay, presented on 31 December a 2012 actuarial deficit of US\$ 868.554 million, for which a provision carrying the full amount of such deficit. The Directors of Itaipu been following actions to equalize the situation in Explanatory Note 32 - Subsequent Events, mentions the decision of the Board of Directors in order to eliminate the potential for generating future deficits in the funding of the Plan of Benefits.

Due to the change in the real interest rate / discount in the actuarial calculation of Itaipu in fiscal year 2012 compared to fiscal year 2011, the Foundation for Itaipu BR Social Security - FIBER, in accordance with standards established by the International Accounting Standards (IAS's 19:26), generated a negative actuarial amount of US\$ 41,481,000, an obligation already recognized by Itaipu, as described in Notes 15 and 20th).

We note that with respect to the matters emphasized, there is no change concerning our opinion.

Other issues

Value Added Statement, Cash Flow and Accounts Exploration

Our audits were conducted for the purpose of issuing a report on the financial statements referred to in the first paragraph, taken as a whole. Statements of Value Added, Cash Flow and Operating Accounts for the year ended December 31, 2012, contained in Tables I, II, III and Annex I, which are presented to provide additional information about the entity, are not a required part of the financial statements. These statements have been subjected to the auditing procedures described in the fourth paragraph and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Brasília, 28 february 2013.

Asunción, 28 february 2013.

UHY AUDICON Consortium

UHY MOREIRA – AUDITORES
CRC RS 3717
DIEGO ROTERMUND MOREIRA
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BALANCE SHEETS AS OF 31 DECEMBER 2012 AND 2011

(In US dollars - US\$ 1.00)

ASSETS

	Note	31.12.2012	31.12.2011
CURRENT ASSETS			
Cash and cash equivalents	6	534.263.722	568.408.376
Trade accounts receivable	7	967.038.354	872.623.855
Stockroom supplies	8	6.471.312	6.902.216
Obligations receivable	9	732.843	731.570
Court deposits	10	28.546.392	54.693.468
Other accounts receivable	11	54.399.297	50.024.883
TOTAL CURRENT ASSETS		1.591.451.920	1.553.384.368
NON-CURRENT ASSETS			
Obligations receivable	9	221.170.351	208.219.907
Court deposits	10	42.379.657	45.438.259
		263.550.008	253.658.166
INCOME (LOSSES) AVAILAB			
Prior years	12	(421.953.392)	362.270.439
Current year		(520.562.654)	(784.223.831)
		(942.516.046)	(421.953.392)
PROPERTY, PLANT AND EQU	13	17.477.652.841	17.449.556.932
INTANGIBLE ASSETS	14	20.808.447	20.332.016
TOTAL NON-CURRENT ASSETS		16.819.495.250	17.301.593.722
TOTAL ASSETS		18.410.947.170	18.854.978.090

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS AS OF 31 DECEMBER 2012 AND 2011

(In US dollars - US\$ 1.00)

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>Note</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
LIABILITIES			
CURRENT LIABILITIES			
Loans and financing	15	1.097.120.841	1.028.829.033
Payments and reimbursements	16	668.963.832	564.237.033
Trade accounts payable	17	83.282.430	65.874.284
Salaries and social charges	18	58.233.723	51.776.352
Workers' indemnity benefits	19	23.995.933	19.734.254
Provisions for contingencies	21	234.144.839	223.207.923
Other liabilities	22	4.968.364	20.340.205
TOTAL CURRENT LIABILITIES		<u>2.170.709.962</u>	<u>1.973.999.084</u>
NON-CURRENT LIABILITIES			
Loans and financing	15	13.818.581.952	14.895.116.272
Labour indemnities	19	376.466.918	348.521.484
Post-employment benefits	20	1.814.318.349	1.355.099.147
Provisions for contingencies	21	127.714.634	179.188.637
Other liabilities	22	3.155.355	3.053.466
TOTAL NON-CURRENT LIABILITIES		<u>16.140.237.208</u>	<u>16.780.979.006</u>
TOTAL LIABILITIES		<u>18.310.947.170</u>	<u>18.754.978.090</u>
SHAREHOLDERS' EQUITY			
Share capital	23		
Centrais Eléctricas Brasileiras S.A.		50.000.000	50.000.000
Administración Nacional de Electricidad		50.000.000	50.000.000
TOTAL SHAREHOLDERS' EQUITY		<u>100.000.000</u>	<u>100.000.000</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>18.410.947.170</u>	<u>18.854.978.090</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INCOME

FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(In US dollars - US\$ 1,00)

	Note	2012	2011
OPERATING REVENUES			
	24		
Electricity sold to final consumers		3.291.012.000	3.291.012.000
Payment for transfer of power rights		378.718.002	267.761.087
Reimbursement of costs - excess power sold to the other contracting party		128.136.896	93.378.828
Total operating revenues		3.797.866.898	3.652.151.915
OPERATING EXPENSES			
PAYMENTS AND REIMBURSEMENTS			
	25		
Capital earnings		(47.789.688)	(47.149.750)
Payment for transfer of power rights		(378.718.002)	(267.761.087)
Power owned by each contracting party			
Royalties		(404.245.066)	(397.969.347)
Reimbursement of administrative and supervision charges		(31.095.774)	(30.613.027)
		<u>(435.340.840)</u>	<u>(428.582.374)</u>
Excess power sold to the other contracting party			
Royalties		(118.984.260)	(86.708.911)
Reimbursement of administrative and supervision charges		(9.152.636)	(6.669.917)
		<u>(128.136.896)</u>	<u>(93.378.828)</u>
		(989.985.426)	(836.872.039)
GENERAL AND ADMINISTRATIVE EXPENSES			
	26		
Personnel		(574.014.551)	(545.332.279)
Actuarial liabilities		(424.962.959)	(206.010.554)
Materials		(16.152.007)	(16.169.216)
Third-party services		(104.645.775)	(106.963.208)
Provisions for contingencies		14.049.475	(49.301.964)
Other operating expenses		(136.422.148)	(140.414.682)
		<u>(1.242.147.965)</u>	<u>(1.064.191.903)</u>
Total operating expenses		(2.232.133.391)	(1.901.063.942)
RESULTS OF OPERATIONS		1.565.733.507	1.751.087.973
OTHER REVENUES (EXPENSES)			
	27		
Sundry revenues		4.640.234	15.800.187
Sundry expenses		(15.125.174)	(24.176.920)
Total sundry revenues (expenses)		(10.484.940)	(8.376.733)
FINANCIAL REVENUES			
Financial investment earnings		56.847.543	105.934.931
Late payment charges on energy bills			136.470
Other financial revenues		(5.303.324)	8.412.075
Total financial revenues		51.544.219	114.483.476
FINANCIAL EXPENSES			
	28		
Capitalisable finance charges		(1.250.261)	(225.654)
Non-capitalisable finance charges		(1.028.757.080)	(1.093.462.280)
Monetary variations		(56.155.222)	20.745.178
Other financial expenses		(67.569)	(28.129)
Total financial expenses		(1.086.230.132)	(1.072.970.885)
FINANCIAL LOSS		(1.034.685.913)	(958.487.409)
NET INCOME		520.562.654	784.223.831

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(In US dollars - US\$ 1.00)

	2012	2011
SOURCES OF FUNDS		
Provided by operations		
Net income	520.562.654	784.223.831
Noncash items		
Long-term monetary variations - loans	(1.134.645)	(2.509.412)
Long-term monetary variations - accrued liabilities	24.276.329	(52.128.833)
Long-term capitalisable charges	1.250.261	225.654
Write-offs of property, plant and equipment	14.326.249	23.720.181
	559.280.848	753.531.421
From third parties		
Increase in non-current liabilities	498.063.081	334.141.316
Transfer from current to non-current liabilities	13.552.830	21.623.718
Transfer from non-current to current assets	4.310.756	39.896.692
Decrease in non-current assets	14.409.765	15.396.042
Received funds - loans	18.589.225	29.060.019
	548.925.657	440.117.787
TOTAL SOURCES OF FUNDS	1.108.206.505	1.193.649.208
APPLICATIONS OF FUNDS		
Investments in property, plant and equipment and intangible assets	42.898.590	44.607.535
Increase in non-current assets	27.580.418	79.281.036
	70.479.008	123.888.571
Transfer from long-term to current liabilities - loans	1.096.271.105	1.027.420.487
Transfer from long-term to current liabilities - accrued liabilities	100.099.719	96.510.552
	1.196.370.824	1.123.931.039
TOTAL APPLICATIONS OF FUNDS	1.266.849.832	1.247.819.610
INCREASE IN WORKING CAPITAL	(158.643.327)	(54.170.402)
STATEMENT OF CHANGES IN WORKING CAPITAL		
Working capital - end of year		
Current assets - end of year	1.591.451.919	1.553.384.368
Current liabilities - end of year	(2.170.709.962)	(1.973.999.084)
	(579.258.043)	(420.614.716)
Working capital - beginning of year	(420.614.716)	(366.444.314)
Increase in working capital	(158.643.327)	(54.170.402)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012 AND 2011

(Amounts in US dollars)

1. OPERATIONS

ITAIPU (the "Entity") is a bi-national entity created and ruled by the Treaty signed on 26 April 1973 by the Federative Republic of Brazil and the Republic of Paraguay, referred to herein as Contracting Parties. Its share capital belongs in equal parts to Centrais Elétricas Brasileiras S.A. - ELETROBRÁS and Administración Nacional de Electricidad - ANDE, also referred to herein as Parties, under equal rights and obligations.

The head offices of ITAIPU are located in Brasília – capital of Brazil and in Asunción – capital of Paraguay, and it enjoys tax full exemption in both countries, pursuant to the signed treaty.

The purpose of the Entity is to make use of the water resources of Parana river between Guaira and the mouth of Iguazu River, which belong as a condominium to both countries, by constructing and operating a hydroelectric plant with total available capacity of 14 million kW. It generates electricity with social and environmental responsibility, fostering economic, tourist and technological sustained development in Brazil and Paraguay.

ITAIPU officially started its activities on 17 May 1974 and the hydroelectric plant was opened on October 1984. In March 1985 two generating units started operating for energy production in Brazil and Paraguay. In 1991 the first phase of implementation of the generating units was concluded. With the beginning of the operations of the last two generating units, in December 2006 and April 2007, the hydroelectric plant reached 12.135 million kWh of power, for procurement of ELETROBRAS and the ANDE .

In 2012, the Itaipu generated 98.3 billion kWh, exceeding its record power generation of 2008 of 94.7 billion kwh, thus retaining the title of largest producer of clean, renewable energy on the planet.

ITAIPU is regulated by the rules set forth by the Treaty and Attachments, as mentioned below, and its management bodies comprise a Board of Directors and an Executive Board made up of an equal number of members from each country.

Attachment "A" - ITAIPU's Bylaws.

Attachment "B" - General description of the facilities designed for the production of electricity and auxiliary constructions.

Attachment "C" - ITAIPU's rendering of electricity services and financial bases.

2. PRESENTATION OF FINANCIAL STATEMENTS

As established in the ITAIPU's bylaws, the financial statements comprise the Balance Sheet, Statement of Income, Statement of Changes in Financial Position and notes to the financial statements.

As supplementary information, we present the Statement of Value Added, the Statement of Cash Flows and the Statement of Core Business Accounts, exhibits I, II, III and notes to the Statement of Core Business Accounts, attachment I.

The financial statements and supplementary information have been prepared in accordance with accounting practices adopted in Brazil and Paraguay and specific provisions established on the Treaty, its attachments and other official acts.

The main provisions that differ from accounting practices adopted in these countries are:

- i) Depreciation of property, plant and equipment and amortization of intangible assets are not calculated, as mentioned in note 4.b;
- ii) The Entity's retained earnings are not disclosed in shareholders' equity, being appropriated to "Income (losses) available for offset" in assets (note 12).
- iii) Earnings on equity capital paid to the Parties do not take into consideration the realization of income and is recorded in liabilities with an offsetting entry operating expenses in the statement of income (note 16);
- iv) The statement of changes in financial position is part of the Entity's financial statements, and the statements of cash flows and of value added are presented as supplementary information; and
- v) ITAIPU does not present the statement of changes in shareholders' equity or the statement of comprehensive income as its shareholders' equity is not subject to changes.

The financial statements are part of the Entity's Annual Report

3. RELATIONS WITH INDEPENDENT AUDITORS

Itaipu has a contract with the UHY Audicon Consortium, formed by the companies UHY Moreira-Auditors, based in Rio Grande do Sul in Brazil, and Audicon - Auditors, Counters and Consultants, based in Asuncion in Paraguay, for the implementation of external audit services for the Financial Statements of 2011 and 2012.

UHY Moreira-Auditors also provided external audit services in the non-refundable technical cooperation agreement ATN/OC-11621-BR, signed between Itaipu and the Interamerican Development Bank - IDB, for 2009 to 2011.

There's no other current contract with the Consortium or any of the companies comprising.

4. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The following accounting practices were adopted to record the Entity's business and financial transactions and prepare its financial statements:

a) Reporting currency

The US dollar is the currency which the Entity uses to record its transactions and present its financial statements, as established in Attachment "A" of the Treaty.

The business and financial transactions conducted in various currencies have their amounts converted into US dollars at the closing market rates disclosed by the Central Banks of Brazil and Paraguay, according to the following criteria:

Property, plant and equipment, intangible assets and other costs – at the rates of the day prior to that when costs were incurred.

Capital – at the rates in effect on the dates it is paid in.

Loans and financing – adjusted in the original currency using the contractual rates and converted into the reporting currency at the exchange rate adopted for the last business day of each month of the calendar year.

Other asset and liability balances – converted at the rates adopted for the last business day of each month of the calendar year.

Operating revenues from electricity service agreements are calculated and recorded in US dollars and the amounts of the related invoices are received in Brazilian reais or Paraguayan guaranis at the rates in effect on the day before that of receipt.

Capital earnings, royalties, reimbursement of administrative and supervision charges and the payment for transfer of power rights, which are part of the operating expenses, are calculated and recorded in US dollars and paid in Brazilian reais or Paraguayan guaranis at the rates in effect on the day before that of payment.

Operating expenses, financial expenses and sundry expenses, as well as financial revenues and sundry revenues, are translated at the rates of the day prior to that when they were incurred.

b) Property, plant and equipment and intangible assets

Investments in construction works regarding acquisition, construction, assembly and engineering, including general administrative expenses, finance charges levied on funds from third parties, pre-operating expenses on hiring and training personnel during construction period, and apportioned administrative expenses are accounted for at historical cost.

Revenues and reimbursements related to construction works and resulting from tax exemptions and benefits were accounted for during the construction period as cost reduction. As of the start of the operations of the hydroelectric plant, these revenues and reimbursements were allocated to construction work cost and sundry revenues and as of the date the plant became fully operative they started to be recognized as sundry revenues.

ITAIPU does not account for depreciation of property, plant and equipment and amortization of intangible assets, as the revenue is calculated based on liability charges and because these expenses are not included in the "Cost of Electricity Service", according to Attachment C to the Treaty.

c) Operating revenues

Operating revenues include the amounts earned for rendering electricity services, according to the contracted Power, to ELETROBRAS companies in Brazil and ANDE in Paraguay, pursuant to the letters of commitment and partnership signed to that end, as well as the reimbursement of the energy supplied in excess of the contracted power owned by Brazil.

Payment for transfer of power rights is charged to ELETROBRÁS and credited to the government of Paraguay for the transfer of the power Paraguay is entitled to.

d) Operating expenses

Operating expenses comprise expenses on the operation, maintenance and manage of the hydroelectric plant, and payments and reimbursements to the Contracting Parties and the Parties included in Attachment C to the Treaty and beginning in fiscal year 2005 expenses incurred with social and environmental responsibility programs, due to Reversal Notes No. 228/05 of the Brazilian Embassy and No. 001/05 of Paraguay's Ministry of Foreign Affairs, both from 31 March 2005. Operating expenses are recognized on the accrual basis.

e) Financial revenues

Financial revenues include earnings on investments in banking institutions, restatement of the guarantee deposits included in the agreement for the rescheduling of Brazilian foreign debt, late payment charges collected on payments of electricity service invoices in arrears, discounts obtained, interest resulting from the agreement entered into with ANDE for the construction of the right bank substation, and, until fiscal year 2011, interest accrued on the rescheduling of ANDE's debt related to the rendering of electricity services.

f) Financial expenses

Financial expenses comprise finance charges on loan and financing agreements, as well as net monetary variations that include monetary restatement and exchange variations arising from transactions established by contract, mainly conducted in Brazilian reais and Paraguayan guaranis and converted into the reporting currency, which is the US dollar as described in item "a" of this note, in addition to finance charges on payments and reimbursements and other financial expenses.

g) Sundry revenues / expenses

Sundry revenues/expenses comprise revenues and expenses arising from the sale of scrap, unusable equipment, occupancy rates, sale of notices of a request for bid proposals, write-off of assets and the like.

h) Post-employment benefits

ITAIPU recognizes its employee benefit plan obligations and adopts the following practices:

i) the cost of the pension plan and pension and health program is calculated by independent actuaries using the method of the projected unit credit and better estimates of expected investment performance plans for funding, salary increases, retirement ages of employees , turnover, mortality, expected costs in health care, among others, respecting the particularities of each country

ii) the cost of the pension plan is recognized in the entity's financial statements, net of plan assets (Note 20.a)

iii) the cost of the health program is fully recognized in the entity's financial statements (Note 20.b).

i) Profit sharing

The payments to employees are recorded on a cash basis due to the uncertainty involving such payments and the impossibility to perform a reliable estimate of their value, according to the provisions of the Term of Agreement of Targets for Profit Sharing Distribution, signed each fiscal year.

5. EFFECTS OF INFLATION ON FINANCIAL STATEMENTS

The Entity conducts transactions in several currencies, especially Brazilian reais and Paraguayan guaranis, and they are stated in US dollars.

The effects of variations in the purchasing power of these currencies are reflected on the financial statements according to the conversion criteria described in note 4.a, to the extent of the variation of these currencies in relation to the US dollar rate.

Currency Exchange rates per US dollar

As of 31 December	Brazil		Paraguay	
	Exchange rates in Brazilian reais (R\$)	Annual variation - %	Exchange rates in Guaranis (Gs)	Annual variation - %
2003	2,8892	(18,2)	6.100	(15,3)
2004	2,6544	(8,1)	6.240	2,3
2005	2,3407	(11,8)	6.150	(1,4)
2006	2,1380	(8,6)	5.210	(15,3)
2007	1,7713	(17,5)	4.910	(5,7)
2008	2,3370	31,9	4.970	1,2
2009	1,7412	(25,5)	4.630	(6,8)
2010	1,6662	(4,3)	4.591,74	(0,8)
2011	1,8758	12,6	4.505,95	(1,9)
2012	2,0435	8,9	4.252,54	(5,6)

The amounts accounted for in US dollars remain recorded at historical cost.

Only for informative purposes, the chart below shows the situation of the main inflation indexes in 2012 and 2011.

Inflation indexes

	In percentage - %	
	2012	2011
Brazil:		
Amplified Consumer Price Index – IPCA Brazilian Institute for Geography and Statistics	5,8	6,5
General Price Index – IGP-DI Fundação Getúlio Vargas	8,1	5,0
Paraguay:		
Consumer Price Index – IPC Central Bank of Paraguay	4,0	4,9
United States of America:		
Average of Industrial Goods and Consumer Price Indexes	1,7	5,6

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the amounts in Brazilian reais and Paraguayan guaranis kept with banks and in cash, the equivalent amounts in US dollars, and also US dollar amounts kept in Paraguayan banks:

	US\$	
	2012	2011
Cash	13.012	16.030
Bank accounts	739.879	488.707
Financial investments		
In Brazil		
Caixa Econômica Federal – FIC Ideal RF	26.881	6.155
Caixa Econômica Federal - CDB Flex	263.427.116	110.530.002
Banco do Brasil - CDB DI	255.718.322	429.205.873
Banco do Brasil - Renda Fixa 25 mil	70.260	3315
	519.242.579	539.745.345
In Paraguay		
Banco Regional	9.226.638	15.427.825
Banco do Brasil	117.135	109.587
Banco Nacional de Fomento	43.230	73.466
Banco Bilbao Vizcaya Argentaria - BBVA	144.755	517.383
Banco Amambay	733.153	361.085
Banco Continental	401.510	391.775
Banco HSBC	278.052	2.556.609
Banco Itau	2.744.472	6.995.833
Sudameris Bank	433.599	1.073.741
Vision Banco	145.708	650.990
	14.268.252	28.158.294
	533.510.831	567.903.639
TOTAL	534.263.722	568.408.376

7. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable include receivables from the rendering of electricity services, whose invoices mature as follows: by the 20th day of the second month after generation, by the 30th day of the second month after generation and by the 10th day of the third month after generation. These invoices are issued in US dollars and payable in Brazilian reais or Paraguayan guaranis at the exchange rates in effect on the day before that of payment.

	<u>2012</u>	US\$	<u>2011</u>
Purchasing Entities			
Centrais Elétricas Brasileiras S.A. – ELETROBRAS	744.753.954		722.560.402
Administración Nacional de Electricidad – ANDE	62.304.293		55.565.431
Ministério de Minas e Energia do Brasil	159.980.107		94.498.022
TOTAL	<u>967.038.354</u>		<u>872.623.855</u>

From 14 May 2011, as per Agreement by Reversal Notes signed on 1 September 2009 between the Government of the Federative Republic of Brazil, promulgated by Decree 7506 of 27 June 2011, and the Government of the Republic of Paraguay, approved by Law 3.923 of 18 November 2009, the multiplying factor of remuneration for energy from Itaipu transferred to Brazil, paid to the Government of the Republic of Paraguay, passed from 5.1 (five integers and one tenth) to 15.3 (fifteen integers and three tenths). The Government of the Federative Republic of Brazil, represented by the Ministry of Mines and Energy, being responsible for the transfer of financial resources to ITAIPU relating to Remuneration for Transfer of Energy, in the portion corresponding to the factor multiplier 10.2 (ten integers and two tenths).

8. STOCKROOM SUPPLIES

	<u>2012</u>	US\$	<u>2011</u>
Materials in deposit	6.278.650		6.709.554
Materials to be alienated	<u>192.662</u>		<u>192.662</u>
TOTAL	<u>6.471.312</u>		<u>6.902.216</u>

9. OBLIGATIONS RECEIVABLE

Obligations receivable basically comprise the guarantees maturing in April 2024 that are the Entity's rights. They are in an amount equivalent to the principal of par and discount bonds that have been issued under the agreement for rescheduling Brazil's foreign debt, negotiated by Brazil's Federal Treasury through contract No. CT - 80/92 (note 15).

	2012	US\$	2011
Security deposits CT-80	192.748.343		182.348.012
Agreement with ANDE – T5/R5	14.690.117		12.225.109
Agreement with ANDE - Substation MD	6.442.536		7.076.228
Agreement with ANDE – T4/R4	905.600		-
Recoverable compulsive taxes	4.197.600		4.170.749
Other	2.918.998		3.131.379
TOTAL	221.903.194		208.951.477
(-) Long-term portions	221.170.351		208.219.907
Short-term portions	732.843		731.570

On 20 August 2010, the second amendment to Agreement No. 5.808/99 was signed by ITAIPU and ANDE for the purpose of establishing rules for the reimbursement to ITAIPU by ANDE of payments made under a loan taken out by ITAIPU with Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional – CAJUBI (note 15) for the expansion of sectors 3 and 4 of the Right Bank Substation, property of ANDE, including the installation of a Transformer/Regulator of 500/220 kV (T5/R5), associated equipment, civil construction works, electromechanical assembly and executive project.

On February 17th 2012 Itaipu and ANDE signed Addendum No. 6 to said Agreement with the aim of establishing the rules for reimbursement to Itaipu by ANDE of payments made for the loan contracted by Itaipu with the Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu - CAJUBI (Note15) for Repowering of the Autotransformer/Regulator Set (T4/R4) of the Right Bank Substation.

The reimbursement of all payments made by ITAIPU to CAJUBI will be under the same conditions established in the loan agreement and, if necessary, through offset against ANDE's rights, as set forth in item III.5, Attachment C of ITAIPU's Treaty.

10 COURT DEPOSITS

Court deposits consist of deposits required to file appeals, security deposits, and certificates of bank deposit (CDB) in Brazil, and appeals in Paraguay referring to labor, tax, civil and business lawsuits to which ITAIPU is a party.

	2012	US\$	2011
Brazil	67.216.267		96.600.213
Paraguay	3.709.782		3.531.514
TOTAL	70.926.049		100.131.727
(-)Long-term portions	42.379.657		45.438.259
Short-term portions	28.546.392		54.693.468

Court deposits in Brazil, except CDBs which bear interest according to the rules established upon acquisition, are updated on the basis of the National Consumer Price Index (INPC) for deposits made for tax, civil and commercial lawsuits, and using the FGTS adjustment rate for those made for labor lawsuits.

11. OTHER ACCOUNTS RECEIVABLE

	US\$	
	2012	2011
Advances to suppliers	25.531.487	24.631.284
Restricted deposits	21.628.598	22.615.053
Sundry debtors	6.170.523	1.315.714
Alienation of assets	1.068.689	1.462.832
TOTAL	54.399.297	50.024.883

In September 2010, based on the Decision of the Council of the Common Market of South America, MERCOSUR/CMC/DEC 07/2010 of 2 August 2010, the Financing of the MERCOSUR Convergence Fund Agreement (COF) was signed for the project "Construction of 500 kV Transmission Line Itaipu-Villa Hayes, of the Villa Hayes Sub-Station and of the Extension of Sub-Station of the ITAIPU Right Bank", with Itaipu as the project's implementing body.

The project's total cost is US\$ 555 million, of which US\$400 million proceeded from resources from the Fund for Structural Convergence of MERCOSUR-FOCEM and a counterpart of US\$ 155 million of resources invested by Itaipu and the Administración Nacional de Electricidad - ANDE.

Until December 31st 2012 the agreements related to said project had the following financial transactions:

COF	US\$
Funds received FOCEM – 2011	30.000.000
Funds received FOCEM – 2012	140.100.105
Funds received FOCEM – 2012	10.860.365
total funds received	180.960.470
Amounts paid in project execution – 2011	(13.835.569)
Amounts paid in project execution – 2012	(167.110.277)
total payments	(180.945.846)
Available at December 31, 2012	14.624
Agreement ANDE – T5/R5 (Note 9)	US\$
Funds received from CAJUBI – 2010	2.733.800
Funds received from CAJUBI – 2011	11.763.500
Funds received from CAJUBI – 2012	502.700
total funds received	15.000.000
AMOUNTS PAID IN PROJECT EXECUTION – 2010	(1.193.090)
AMOUNTS PAID IN PROJECT EXECUTION – 2011	(7.543.306)
AMOUNTS PAID IN PROJECT EXECUTION – 2012	(4.736.535)
total payments	(13.472.931)
Available at December 31, 2012	1.527.069

12 INCOME (LOSSES) AVAILABLE FOR OFFSET

The "Income (losses) available for offset" account shows ITAIPU's accrued results up to 31 December 2011 and the income reported in the Statement of Income for the year ended 31 December 2012.

	<u>2012</u>	US\$	<u>2011</u>
Income from prior years	(421.953.392)		362.270.439
Current net income	<u>(520.562.654)</u>		<u>(784.223.831)</u>
TOTAL	<u><u>(942.516.046)</u></u>		<u><u>(421.953.392)</u></u>

The results presented are not used as the basis for calculating return on equity, profit sharing or creation of reserves.

Until 2023, when the Annex "C" to the Treaty may be revised, the amount of the accumulated values in the item results should be equivalent to the Fixed Assets of the Entity, in accordance with the projected composition tariff (unit cost of electricity service) since, as defined in Annex "C", the amortization of loans and financing is an integral part of the Cost of Electricity Service, and depreciation of fixed assets and amortization of intangible assets are not accounted for by the Entity.

13. PROPERTY, PLANT AND EQUIPMENT

	US\$	
	2012	2011
Fixed assets in service		
Generating property and facilities	16.360.285.545	16.342.299.515
Sundry property and equipment	728.727.914	735.860.776
Chattel	115.114.455	114.009.076
Total fixed assets in service	17.204.127.914	17.192.169.367
Fixed assets under construction		
Diverse fixed assets	227.053.931	213.419.956
Advances on chattel	901.945	42.821
Technical reserve	45.569.051	43.924.788
Total fixed assets under construction	273.524.927	257.387.565
FIXED ASSETS TOTAL	17.477.652.841	17.449.556.932

Fixed assets in service, equivalent to 98.44% and 98.53% of total fixed assets for the 2012 and 2011, respectively, represent the direct costs of construction of the hydroelectric plant and the costs to distribute. These costs were originally classified as construction in progress and were transferred to the "in use" caption, according to the physical and accounting assessment of asset items.

Inventories of spare materials to be used directly in property, plant and equipment are accounted for as technical reserve.

Tariff composition projections (unit cost of electricity service) demonstrate that the Entity will have sufficient resources to meet its obligations until 2023, according to Annex "C" to the Treaty. Therefore there was no need to create a provision for impairment.

In fiscal year 2012 there were several accounting write-downs, as detailed below:

- (i) Accounting write-down, through donation for purposes of public and social interest, of various chattels, in the amount of US\$ 2.720.287;
- (ii) Accounting write-down of various chattels deemed obsolete or deteriorated, in the amount of US\$ 3.215.474;
- (iii) Low accounting for the sale of various goods movable property, in the amount of \$ 1.215.884;
- (iv) Low accounting for the sale of properties that form the housing 1, 2, 3, 4 and 8, located in Ciudad del Este in Paraguay, in the amount of US \$ 7.174.604

The movement of fixed assets during the year, totaling US\$ 28.095.909 (US\$ 18.630.138 in 2011), has the following composition:

	US\$	
	2012	2011
Fixed assets in year		
Diverse fixed assets	32.531.427	34.020.736
Movable property	8.246.468	6.982.454
	40.777.895	41.003.190
Economic increases (reductions)		
Technical reserve	1.644.263	1.347.129
Asset retirement	(14.326.249)	(23.720.181)
	(12.681.986)	(22.373.052)
Fixed asset variation	28.095.909	18.630.138

ITAIPU does not take into account the depreciation of its fixed assets, as described in Note 4.b.

As provided in the plan of action for the adequacy of control procedures asset to current accounting standards and the incorporation of technological change in the electricity sector, at the close of the year

2012, the Manual of Procedures for Accounting and Control of Sheet Itaipu found to be finalized the approval of the Executive Board, according to the Rules of the Entity.

Subsequent to approval of the Manual, the Itaipu effect the general inventory of its fixed assets and reconcile physical and accounting of such property, for which it is planned to hire specialized consulting, estimating the start of work in 2013 and ending in 2016.

From 2012, the Fixed Assets pledged as lending to third parties were segregated accounting of assets in service, contracts prior to this period are subject to inventory for subsequent accounting segregation.

14. INTANGIBLE ASSETS

Intangible assets consist of the expenses inherent to the acquisition of assets lacking physical substance intended for the operation, maintenance and management of the Entity.

	US\$	
	2012	2011
Easement strips	68.914	68.914
Software	20.739.533	20.263.102
TOTAL	20.808.447	20.332.016

As mentioned in note 4.b, ITAIPU does not account for the amortization of intangible assets.

15. LOANS AND FINANCING

Loans and financing in US dollars and other currencies, as shown below, are duly adjusted and include interest and other charges according to contract terms.

Debt on 31December - US\$ thousands

	Currency (3)	Interest rates	Value of Contract		2012			Amortization period ³⁹		
			Total (em Mil)	Equivalent in US\$ thou. (1)	2012	2012	2011	Start	End	Parcel
					Short term	Long term				
ECF - 1480/97 Tranche B - Principal	US\$	7,5	10.250.481	10.250.481	498.537	4.202.571	5.158.812	2001	2023	Monthly
Tranche C - Principal	US\$	4,1	1.780.955	1.780.955	87.453	574.709	747.172	2007	2023	Monthly
ECF - 1627/97 Principal	US\$	7,5	181.577	181.577	9.931	91.036	110.920	1998	2023	Monthly
ECF - 1628/97 Principal	US\$	7,5	211.116	211.116	20.850	191.126	232.873	2007	2023	Monthly
CT - 2607/06 Principal	US\$	7,5 ⁽⁴⁾	6.304	6.304	1.517	1.390	4.425	2009	2014	Monthly
CT - 2608/06 Principal	US\$	7,5 ⁽⁴⁾	8.004	8.004	2.030	846	3.837	2009	2014	Monthly
CT - 2686/08 Principal	US\$	7,5 ⁽⁴⁾	22.343	22.343	1.701	13.611	15.244	2012	2021	Monthly
					622.019	5.075.289	6.273.283			
CT-74/93 Brasil Investment Bonds (BIBS)	US\$	6,0	5.612	5.612	381	-	762	1999	2013	Semiannual
CT-80/92 External Debt Restructuring	US\$	(Note 2)	918.235	918.235	21.388	252.966	304.577	1997	2023	Semiannual
CT-424/TN Cessão Eletrobras (ECF-1480/97) Tranche B - Principal	US\$	7,5	-	-	104.933	2.099.059	2.300.437	2001	2023	Monthly
Tranche C - Principal	US\$	4,1	-	-	34.427	518.468	585.712	2007	2023	Monthly
CT-425/TN Cessão Eletrobras (ECF-1480/97) Tranche B - Principal	US\$	7,5	-	-	232.264	4.643.184	5.089.167	2001	2023	Monthly
Tranche C - Principal	US\$	4,1	-	-	76.174	1.147.175	1.295.957	2007	2023	Monthly
					469.567	8.660.852	9.576.612			
FIBRA - Fundação Itaipu BR de Previdência e Assistência Social CT-7218/03	R\$	6,0 ⁽⁵⁾	73.911	31.626	3.096	38607	45.880	2004	2023	Monthly
CAJUBI - Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu Binacional										
PIB 2010-10-0001 - T5/R5	US\$	8,0	15.000	15.000	1165	15.313	15.129	2012	2022	Monthly
PIB 2011-10-0001 - Repotenciação T1/R1, T2/R2, T3/R3 E TX/RX	US\$	8,0	5.000	5.000	382	4.390	5.126,00	2012	2021	Monthly
PIB 2011-10-0002 - Seccionamento L3 e L4 500Kv	US\$	8,0	42.000	42.000	286	12.454	5.127,00	2013	2022	Monthly
PIB 2011-10-0003 - Meio Ambiente MD	US\$	8,0	12.000	12.000	435	10.585	2.788,00	2013	2022	Monthly
PIB 2012-10-0001 - Repotenciação T4/R4	US\$	8,00	1.132	1.132	81	1.092		2013	2022	Monthly
					2.349	43.834	28.170			
					1.097.121	13.818.582	15.923.945			

(2) Interest rates
Quarterly Libor , 6,0 e 8,0

(3) Abreviations:
R\$ - Reais
US\$ - United States Dollars

- (1) Converted at the rate ruling on the date of release and updated
- (4) In addition to the interest rate the contract requires payment of an administration fee and commitment fee credit
- (5) In addition to the interest rate contract establishes the correctness of the balance due by the INPC and can not be lower profitability minima actuarial.
- (6) In addition to the interest rate the contract stipulates the payment of commission rate.

Centrais Elétricas Brasileiras S.A.– ELETROBRÁS and the Brazilian National Treasury signed on December 1998 agreements Nos. 423/TN, 424/TN and 425/TN, for the assignment of part of the receivables that company had from the Entity.

As from 2007 the variation between the annual averages of the Industrial Goods and Consumer Price Indexes, published by the *International Financial Statistics* magazine, used for the adjustment of the agreements entered

into with ELETROBRAS and the Brazilian National Treasury (assignment), is no longer applied due to new Law No. 11.480, of 30 May 2007, ruled by decree No. 6265, of 22 November 2007, and by amendments No. ECF-1480-A/2007, ECF-1627-A/2007 and 1628-A/2007, signed on 27 December 2007 with Centrais Elétricas Brasileiras S.A.– ELETROBRAS.

On 31 May 2005, the Brazilian National Treasury signed assignment agreement No. 235/05, whereby it assigns and transfers part of the receivables from ITAIPU, in the amount of US\$2,480 million, to Empresa Gestora de Ativos - EMGEA for capital increase. These amounts are originated from contracts Nos. 424/ TN and 425/ TN for the acknowledgement and renegotiation of debts and assignment of receivables as payment in kind. In this fiscal year payments were made in the amount of US\$ 324.639.279.

The contract signed with CT-7218/03 FIBRA is due to the resolution of the Board of RCA 010/03 of 5 September 2003, which revoked the payment in kind of property for partial discharge of debts Itaipu with FIBRA, for the period 1989-1992, which was approved by Resolution of the Board of RCA 004/93 of January 11, 1993

The schedule of payments of long-term loans and financing to ELETROBRÁS, Brazilian National Treasury and other financial institutions establishes the following annual repayments:

<u>Year</u>	<u>US\$</u>
2014	1.168.948.456
2015	1.241.340.544
2016	1.323.965.344
2017	1.412.217.077
2018	1.506.640.651
2019 a 2023	7.165.469.880
<u>Total</u>	<u>13.818.581.952</u>

The following amounts related to interest and repayments due every year were settled to repay the debt:

Financing agents	US\$	
	2012	2011
Eletrobras		
Principal	577.009.728	540.251.613
Charges	413.852.683	449.352.127
	990.862.411	989.603.740
Brazilian National Treasury Eletrobras credit cession		
Principal	417.135.330	380.605.538
Charges	597.801.792	623.197.389
	1.014.937.122	1.003.802.927
Brazilian National Treasury Foreign debt restructuring		
Principal	30.317.018	41.066.138
Charges	11.718.649	13.344.956
	42.035.667	54.411.094
Fibra		
Principal	2.958.325	3.075.969
Charges	4.935.470	5.086.578
	7.893.795	8.162.547
Cajubi		
Principal	539.432	-
Charges	597.220	-
	1.136.652	-
Total		
Principal	1.027.959.833	964.999.258
Charges	1.028.905.814	1.090.981.050
	2.056.865.647	2.055.980.308

16. PAYMENTS AND REIMBURSEMENTS

Payments and reimbursements consist of amounts due to the Brazilian and Paraguayan governments, as well as to ELETROBRÁS and ANDE, as set forth in ITAIPU's Treaty.

	US\$					
	2012			2011		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Royalties						
Principal	20.143.996	20.143.996	40.287.992	19.971.810	19.971.810	39.943.620
Dollar adjustment	154.636.885	154.636.885	309.273.770	139.901.370	139.901.370	279.802.740
Subtotal	174.780.881	174.780.881	349.561.762	159.873.180	159.873.180	319.746.360
Payment for energy transfer						
Principal	-	27.898.373	27.898.373	-	28.702.566	28.702.566
Dollar adjustment	-	216.970.923	216.970.923	-	144.175.073	144.175.073
Subtotal	-	244.869.296	244.869.296	-	172.877.639	172.877.639
Reimbursement of administrative and supervision charges						
Principal	1.548.538	1.549.538	3.099.076	1.536.293	1.536.293	3.072.586
Dollar adjustment	11.895.145	11.895.145	23.790.290	10.761.644	10.761.644	21.523.288
Subtotal	13.444.683	13.444.683	26.889.366	12.297.937	12.297.937	24.595.874
Capital earnings						
Principal	6.000.000	6.000.000	12.000.000	6.000.000	6.000.000	12.000.000
Adjustment of earnings	17.821.704	17.821.704	35.643.408	17.508.580	17.508.580	35.017.160
Subtotal	23.821.704	23.821.704	47.643.408	23.508.580	23.508.580	47.017.160
Total	212.047.268	456.916.564	668.963.832	195.679.697	368.557.336	564.237.033

The annual US dollar adjustment on royalties, reimbursement of administrative and supervision charges and the payment for transfer of power rights are settled in twelve installments from March of the year subsequent to the fiscal year ended. The adjustment of annual capital earnings corresponding to ELETROBRÁS and ANDE is made in a lump sum, on the last business day of the month subsequent to that when the final calculation of the capital earnings adjustment is made. These amounts will necessarily be offset against debts of ELETROBRÁS and ANDE to ITAIPU and may be prepaid if cash is available.

From May 2011, as cited in Note 7, the multiplying factor of compensation for energy from Itaipu ceded to Brazil, paid to the Government of the Republic of Paraguay, went from 5.1 (five integers and one tenth) to 15.3 (fifteen integers and three tenths).

17. TRADE ACCOUNTS PAYABLE

	US\$	
	2012	2011
Suppliers	76.443.552	58.509.024
Taxes withheld	6.838.878	7.365.260
TOTAL	83.282.430	65.874.284

18. SALARIES AND SOCIAL CHARGES

	US\$	
	2012	2011
Provision for vacation pay and social charges	38.771.933	37.115.824
Complementary pension foundations	8.885.489	7.831.001
Social charges payable	7.154.149	6.691.474
Other	3.422.152	138.053
TOTAL	58.233.723	51.776.352

19. WORKERS' INDEMNITY BENEFITS

	US\$	
	2012	2011
Voluntary redundancy plan - Brazil	101.104.745	106.562.368
Labor compensation – Paraguay	299.358.106	261.693.370
TOTAL	400.462.851	368.255.738
(-) Long term portions	376.466.918	348.521.484
Short term portions	23.995.933	19.734.254

20. POST-EMPLOYMENT BENEFITS

The Entity sponsors a pension scheme for its employees administered in Brazil by Fundação ITAIPU BR de Previdência e Assistência Social - FIBRA, and in Paraguay by Caja Paraguaya de Jubilaciones y Pensiones del personal de la Itaipu Binacional – CAJUBI.

Contributions are made both by the sponsor and beneficiaries, according to an actuarial study prepared by an independent actuary in compliance with legislation prevailing in Brazil and Paraguay, with the purpose of providing funds sufficient to cover future obligations related to non-vested defined benefits.

The benefits provided for in the pension scheme are the following:

i) Employees hired in Brazil:

- a) Pension supplementation for years of contribution, disability and age;
- b) Special pension supplementation;
- c) Allowance paid to a prisoner's dependents;
- d) Pension supplementation;
- e) Special temporary benefit due to death;
- f) Beneficiary burial allowance;
- g) Annual bonus supplementation.

ii) Employees hired in Paraguay:

- a) Ordinary and disability pension;
- b) Extraordinary pension;
- c) Voluntary anticipated pension;
- d) Allowance paid to a prisoner's dependents;
- e) Pension;
- f) Burial allowance; and
- g) Annual bonus.

In addition to sponsoring a pension scheme, ITAIPU supports a healthcare program for its employees and their dependents, including retirees, pensioners and their dependents from FIBRA and CAJUBI.

Since 2003, ITAIPU has been recording a liability consisting of actuarial obligations resulting from future benefits to employees related to the healthcare program and as from 2009 to the pension scheme.

To that end, the Entity hires actuaries who produce reports for both programs, according to international accounting standards.

The obligations recorded in ITAIPU's financial statements for post-employment benefits are the following:

	US\$ THOUSAND					
	BRAZIL		PARAGUAY		TOTAL	
	2012	2011	2012	2011	2012	2011
Liabilities recorded in the balance sheet - Long-term						
Benefit retirement plan	-	-	868.554	731.933	868.554	731.933
Benefits of health	416.908	328.222	528.856	294.944	945.764	623.166
	416.908	328.222	1.397.410	1.026.877	1.814.318	1.355.099
Income (expense) recognized in the income statement						
Benefit retirement plan	-	-	(93.005)	(144.970)	(93.005)	(144.970)
Benefits of health insurance	(115.621)	(42.513)	(216.337)	(18.528)	(331.958)	(61.041)
	(115.621)	(42.513)	(309.342)	(163.498)	(424.963)	(206.011)

The following assumptions were made to assess benefits:

	BRAZIL		PARAGUAY	
	2012	2011	2012	2011
GENERAL DATA				
Active participants	1.484	1.507	2.063	1.958
Retired participants	1.260	1.199	1.008	914
Pensioners	190	180	270	258
ECONOMIC HYPOTHESES				
Real discount rate (p.a.) - pension plan	4,35%	5,75%	4,00%	4,00%
Real discount rate (p.a.) - health plan	4,00%	5,50%	4,00%	5,50%
Expected return rate on assets (p.a.)	8,52%	9,98%	14,40%	14,40%
Salary progression rate (p.a.)	2,19%	2,15%	1,92%	1,92%
Cost growth rate (p.a.)	2,00%	2,00%	2,00%	2,00%
Inflation	4,00%	4,00%	10,00%	10,00%
Salary/Benefit capacity factor	98%	98%		
ACTUARIAL HYPOTHESES				
General mortality table	At-2000 (-10%)	At-2000 (-10%)	At-2000	At-2000
Disabled mortality table	At-1983 (-10%)	At-1983 (-10%)	At-1983	At-1983
Disability table	weak light	weak light	average light	average light
Turnover table	0,13%	0,13%	0,50%	0,50%

a) Pension scheme

STATEMENT OF THE ACTUARIAL SURPLUS (DEFICIT) OF THE DEFINED BENEFIT PENSION PLAN SPONSORED BY ITAIPU BINACIONAL AMOUNTS IN US\$ THOUSAND				
DESCRIPTION	FIBRA		CAJUBI	
	2012	2011	2012	2011
Fair value of the plan's assets	1.293.711	1.154.624	256.546	232.623
Present value of obligations	<u>(1.335.192)</u>	<u>(1.097.530)</u>	<u>(1.125.100)</u>	<u>(964.556)</u>
Actuarial surplus (deficit)	<u>(41.481)</u>	<u>57.094</u>	<u>(868.554)</u>	<u>(731.933)</u>

In fiscal year 2009 a provision was created on the total amount related to the actuarial deficit of the pension plan of Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu - CAJUBI.

From fiscal year 2010, this provision has been updated based on actuarial reports issued annually.

ITAIPU has been requesting CAJUBI clarification and measures about its actuarial deficit, and has been following the procedures that are being taken to equalize this situation.

On November 22nd 2012, through Resolution No. RDE 323/12, Itaipu's Executive Board approved adjustments in the internal regulation of CAJUBI, which introduced enhancements to the foundation's corporate governance, seeking to improve its management through the creation of an Executive Management, an Audit Committee and an Investment Committee, endorsed by Itaipu's Board of Directors through Resolution No. RCA 047/12.

On December 4th 2012, the Paraguayan Director-General appointed the new members to compose the Management Board of CAJUBI, as well as Itaipu representatives in the Audit Committee and the Investment Committee, also determining that the necessary steps be taken for the election of representatives of active affiliates and of assisted parties for the mentioned bodies.

The actions taken after December 31st 2012 are described in Note 32 – Subsequent Events

For the pension plan of the Itaipu BR Social Security and Assistance Foundation (FIBRA) no provision was made in Itaipu's financial statements due to the positive actuarial results obtained in 2012 and 2011, considering the obligation already recognized by Itaipu in its financial statements, as a liability with the plan, in the amount of USD\$ 41.703.000, with USD\$ 3.096.000 being recorded in short-term and USD\$ 38.607.000 in long-term, as described in Note 15.

Information relating to pension funds, drawn from their respective financial statements, are presented in the tables below, and are converted to United States dollar at the exchange rates of 31 December 2012 and 2011.

	US\$ thousands			
	FIBRA		CAJUBI	
	2012	2011	2012	2011
Assets current value	1.170.521	1.116.188	256.546	228.277
Mathematical reserves				
Vested benefits	752.698	707.112	526.725	413.927
Future benefits	411.626	393.067	645.974	567.887
(-) Mathematical reserves to be recognized	(22.678)	(23.901)	(34.971)	(31.516)
	<u>1.141.646</u>	<u>1.076.278</u>	<u>1.137.728</u>	<u>950.298</u>
Surplus (Deficit)	<u><u>28.875</u></u>	<u><u>39.910</u></u>	<u><u>(881.182)</u></u>	<u><u>(722.021)</u></u>

b) Health insurance plan

STATEMENT OF ACTUARIAL ASSESSMENT OF OBLIGATIONS RELATED TO HEALTH PLAN SPONSORED BY ITAIPU BINACIONAL				
AMOUNTS IN US\$ THOUSANDS				
DESCRIPTION	BRAZIL		PARAGUAY	
	2012	2011	2012	2011
Fair value of the plan's assets	-	-	-	-
Present value of obligations				
Receivables already past due	271.769	218.779	328.617	182.402
Receivables falling due	145.139	109.443	200.239	112.542
	<u>416.908</u>	<u>328.322</u>	<u>528.856</u>	<u>294.944</u>
Gains (losses) not recognized				
Unrecognized gains (losses)	416.908	328.222	528.856	294.944

Actuarial obligations related to health insurance plans are fully recognized in the sponsor's liabilities. These amounts are annually adjusted according to actuarial reports

21. PROVISIONS FOR TAX, CIVIL AND LABOR RISKS

The Entity is party to various tax, commercial, labor and civil cases that are at various stages.

ITAIPU classifies the legal proceedings brought against the Entity in Brazil according to the risk of unfavorable outcome assessed by its legal counselors, in the following manner:

- a) For lawsuits of which an unfavourable outcome is considered probable, provisions are set up; and
- b) For lawsuits of which an unfavourable outcome is considered possible, the related information is disclosed in notes to the financial statements.

ITAIPU accrues provisions for all the legal proceedings brought against the Entity in Paraguay according to the opinion of its legal department.

In 2012, in accordance with respective accounting standards, and aiming to standardize the procedures used on both sides, began a process of analysis of the accounting treatment given to lawsuits in Paraguay.

For this exercise the treatment became the following:

- a) Provisions are accrued only for cases for which a negative outcome for the entity is considered 'probable' and 'possible' risks.

Accounting provisions accrued for legal proceedings are set up in amounts periodically adjusted, shown in the table below, to represent the best estimate of future disbursement, according to reports issued by the Entity's legal department.

	US\$					
	2012			2011		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Short term						
Tax	77.161.564	-	77.161.564	81.468.843	-	81.468.843
Civil	26.337.148	-	26.337.148	27.882.905	-	27.882.905
Commercial	61.933.682	28.662	61.962.344	47.785.915	1.291.064	49.076.979
Labor	58.911.717	4.878.501	63.790.218	63.809.279	969.917	64.779.196
Ambiental	4.893.565	-	4.893.565	-	-	-
	229.237.676	4.907.163	234.144.839	220.946.942	2.260.981	223.207.923
Long term						
Tax	21.093.364	-	21.093.364	20.100.598	-	20.100.598
Civil	183.421	-	183.421	344.079	-	344.079
Commercial	62.610.528	465.874	63.076.402	93.755.071	11.306.112	105.061.183
Labor	22.734.358	20.627.089	43.361.447	23.861.955	29.820.822	53.682.777
Ambiental	-	-	-	-	-	-
	106.621.671	21.092.963	127.714.634	138.061.703	41.126.934	179.188.637
Total	335.859.347	26.000.126	361.859.473	359.008.645	43.387.915	402.396.560

The Entity is also a party to other legal proceedings instituted in Brazil and whose risk of unfavourable outcome is classified as possible, as shown in the table below, for which it accrued a provision, given that it expects to obtain a favorable decision on these lawsuits.

	US\$	
	2012	2011
Tax	886.254	605.112
Civil	48.936	11.603.898
Commercial	219.307.840	142.967.038
Labor	-	-
Ambiental	-	-
	220.243.030	155.176.048

22. OTHER LIABILITIES

	US\$	
	2012	2011
Contractual withholdings	2.713.523	3.432.456
Sundry payables	3.155.355	3.053.466
Agreements	1.925.595	16.576.165
Other	329.246	331.584
TOTAL	8.123.719	23.393.671
(-) Long term portions	3.155.355	3.053.466
Short term portions	4.968.364	20.340.205

23. SHARE CAPITAL

According to the provisions of the Treaty and its Attachment "A" – Bylaws, share capital, totaling US\$100 million and unchanged since 13 August 1973, date when the treaty was ratified, is divided in equal and non-transferable parts between Centrais Elétricas Brasileiras S.A. - ELETROBRÁS and Administración Nacional de Electricidad - ANDE.

24. OPERATING REVENUES

Since 2003 the acquisition of electricity services from Itaipu by Brazil is conducted by Centrais Elétricas Brasileiras – ELETROBRAS, according to Decree No. 4,550 of December 27th 2002, which established this company as the Sole Trading Agent of Itaipu Energy.

In Paraguay, the purchase of electricity from Itaipu is performed by Administración Nacional de Electricidad - ANDE.

Revenue from contracts for provision of electricity services in fiscal year 2012 totaled US\$ 3,291,012,000 (same as 2011) which corresponds to an invoicing of 145,620 MW of contracted energy during the fiscal year (same as 2011).

The rate adopted in 2012 was US\$22.60/kW per month, the same as in 2011.

The energy supplied to the Purchasing Entities in 2012 was 97,534 GWh (91,523 GWh in 2011).

	2012			2011		
	Brazil	Paraguay	Total	Brazil	Paraguay	Total
Power Supply	306790	223022	3291012	3077436	213576	3291012
Remuneration energy transfer	378718	-	378718	267761	-	267761
Reimbursement of costs - energy unrelated total	106268	21869	128137	73322	20057	93379
Total	3552976	244891	3771867	3418519	233633	3652152
Contracted power	11.335	800	12.135	11.405	730	12.135
Guaranteed energy	70375	4965	75340	70616	4518	75134
Energy supplied	88783	8751	97534	83487	8086	91523

25. OPERATING EXPENSES – Payments and Reimbursements

Operating expenses consist of the payments and reimbursements provided for in Attachment "C" to the Treaty, due in 2012 and 2011, to Contracting Parties, royalties and payment for transfer of power rights, as well as ELETROBRAS and ANDE, capital earnings and reimbursement of administrative and supervision charges.

US\$

	2012			2011		
	Brasil	Paraguai	Total	Brasil	Paraguai	Total
Principal Capital Income	(6.000.000)	(6.000.000)	(12.000.000)	(6.000.000)	(6.000.000)	(12.000.000)
update yields	(17.894.844)	(17.894.844)	(35.789.688)	(17.574.875)	(17.574.875)	(35.149.750)
Subtotal	(23.894.844)	(23.894.844)	(47.789.688)	(23.574.875)	(23.574.875)	(47.149.750)
Royalties						
main	(126.793.721)	(126.793.721)	(253.587.442)	(118.979.656)	(118.979.656)	(237.959.312)
Adjust the dollar	(134.820.942)	(134.820.942)	(269.641.884)	(123.359.473)	(123.359.473)	(246.718.946)
Subtotal	(261.614.663)	(261.614.663)	(523.229.326)	(242.339.129)	(242.339.129)	(484.678.258)
Reimbursement Charges Adm. and Supervision Home						
Reimbursement Charges Adm. and Supervision Home	(9.753.363)	(9.753.363)	(19.506.726)	(9.152.282)	(9.152.282)	(18.304.564)
Adjust the dollar	(10.370.842)	(10.370.842)	(20.741.684)	(9.489.190)	(9.489.190)	(18.978.380)
Subtotal	(20.124.205)	(20.124.205)	(40.248.410)	(18.641.472)	(18.641.472)	(37.282.944)
Compensation for Assignment Principal		(183.675.018)	(183.675.018)		(131.660.580)	(131.660.580)
Adjust the dollar			(195.042.984)		(136.100.507)	(136.100.507)
Subtotal		(378.718.002)	(378.718.002)		(267.761.087)	(267.761.087)
Total	(305.633.712)	(684.351.714)	(989.985.426)	(284.555.476)	(552.316.563)	(836.872.039)

Payments and reimbursements, including capital earnings and US dollar adjustments, are calculated as provided for in Attachment "C" to the Treaty and related reversal notes, as described in the notes to the Statements of the Core Business Account – Attachment I.

26. OPERATING EXPENSES - General and Administrative Expenses

General and administrative expenses consist of all expenses incurred with operating the enterprise and represent all operating, maintenance and management expenses, as well as social and environmental expenses.

	US\$	
	2012	2011
Personnel, materials and services	(673.828.456)	(641.012.970)
Provisions for operating activities	(410.913.484)	(255.312.518)
Social and environmental expenses	(89.951.135)	(111.815.388)
Training	(2.155.623)	(2.384.727)
Other expenses	(65.299.267)	(53.666.300)
	<u>(1.242.147.965)</u>	<u>(1.064.191.903)</u>

27. OTHER REVENUES (EXPENSES)

Other revenues (expenses) arise from the sale of scrap, unusable equipment, occupancy rates, contractual fines, write-off of assets and equipment, bank expenses, discounts granted and the like, as shown below:

	US\$	
	2012	2011
Sundry revenues		
disposals	2.284.528	6.479.470
Property occupancy rates	1.566.646	1.679.375
Interests and contractual fines	629.688	7.569.240
Other	159.372	72.102
	<u>4.640.234</u>	<u>15.800.187</u>
Sundry expenses		
Write-off of assets and facilities	(14.326.249)	(23.720.181)
Financial expenses	(785.641)	(448.409)
Other	(13.284)	(8.330)
	<u>(15.125.174)</u>	<u>(24.176.920)</u>
	<u>(10.484.940)</u>	<u>(8.376.733)</u>

28. FINANCIAL EXPENSES – Monetary Variations

	US\$	
	2012	2011
Loans and financing		
FIBRA	(1.219.208)	(2.694.871)
Other exchange rate variances		
Current assets	41.773.799	79.002.738
Non-current assets	389.435	1.313.716
Current liabilities	(9.064.381)	(46.335.625)
Non-current liabilities	24.277.220	(52.128.834)
Other accounts	(1.643)	97.698
	<u>57.374.430</u>	<u>(18.050.307)</u>
	<u>56.155.222</u>	<u>(20.745.178)</u>

29. INSURANCE

The main property, plant and equipment in use are insured in accordance with an insurance policy approved by the Entity's Board of Directors in 1992 to guarantee the following coverage:

- a) All risks insurance for all assets installed at the hydroelectric plant in the amount of US\$ 2,317.222.017.
- b) Civil liability insurance for the hydroelectric plant in the amount of US\$20,000,000.

As a supplemental coverage, ITAIPU has insurance necessary to cover other risks not directly related to the hydroelectric plant. The policies are taken out according to the location of risks and market conditions of the country where they are, such as: fire insurance for administrative facilities, civil liability and hull marine insurance, insurance for vessels and personal accidents involving tourists visiting Itaipu and group life insurance for the Entity's employees, as below:

Type	Coverage – in USD
Fire	192.474.000
Vehicles	Civil liability and hull marine insurance – 44.807.000
Vessels	Mandatory insurance for personal damage caused by vessels or by their cargo – DPEM.
Personal accidents involving tourists	Death, disability, medical and hospital expenses
Administrators' civil responsibility	10.000.000
Group life	For the employee: 30 base salaries, limited to 15 times the highest salary of Itaipu's salary table. For the spouse: 50% of coverage, limited to five times the highest salary of the salary table.

30. FINANCIAL INSTRUMENTS

The estimated market values of the Entity's financial assets and liabilities are determined by means of information available in the market and suitable valuation methods. However, considerable judgment was required to interpret

market information and estimate the most adequate market value. As a result, the estimates presented below are not necessarily indicative of the amounts that could be realized in the current trading market. The use of different market methodologies may have a material effect on estimated market values.

Financial instruments are managed by applying operational strategies, aiming at liquidity, profitability and security. The control policy consists of a permanent tracking of contractual rates versus market rates. The Entity does not invest in derivatives or any other risk assets for speculation purposes.

a) Breakdown of balances

The account balances and market values of financial instruments included in the balance sheet as of December 2012 are identified below: 31

Description	US\$	
	Book value	Market value
Assets		
Cash and cash equivalents	752.891	752.891
Financial investments	533.510.831	533.510.831
Trade accounts receivable	967.038.354	967.038.354
Liabilities		
Loans and financing	(14.915.702.793)	(14.915.702.793)
Payments and reimbursements	(668.963.832)	(668.963.832)

b) Criteria, assumptions and limitations used in the calculation of market values

(i) Cash and cash equivalents and financial investments

The market values of balances of current accounts and financial investments held with banks approximate their carrying values.

(ii) Accounts receivable

The market value of the balance of accounts receivable approximates their carrying value due to the short-term nature of the instruments.

(iii) Derivatives

The Entity adopts the practice of eliminating market risks by avoiding exposure to exchange rate fluctuations in the short-term using instruments that allow control over such risks. In accordance with its financial policies, the Entity has not been conducting transactions involving financial instruments with speculative purposes. As of 31 December 2012 the Entity did not have any outstanding forward and/or swap contracts.

31. RELATED-PARTY TRANSACTIONS

The most significant related-party transactions conducted by the Entity in 2011 and 2010 consist of the sale of energy, loans, obligations provided for in Attachment "C" to the ITAIPU Treaty and pension fund obligations, as shown below:

	US\$ mil				TOTAL
	ELETROBRAS	ANDE	FIBRA	CAJUBI	
BALANCE SHEET					
ASSETS					
Trade accounts receivable	744.754	62.304	-	-	807.058
Agreements	-	23.285	-	-	23.285
Total	744.754	85.589	-	-	830.343
LIABILITIES					
Loans and financing	(5.697.398)	-	(41.703)	(46.183)	(5.785.284)
Payments and reimbursements	(37.267)	(37.267)	-	-	(74.534)
Social security contributions	-	-	(2.827)	(6.058)	(8.885)
Actuarial obligations	-	-	-	(868.554)	(868.554)
Total	(5.734.665)	(37.267)	(44.530)	(920.795)	(6.737.257)
INCOME (LOSS)					
REVENUES					
Revenue services provision	3.300.586	244.891	-	-	3.545.477
Financial revenues	-	492	-	-	492
Total	3.300.586	245.383	-	-	3.545.969
EXPENSES					
Financial expenses	(412.658)	-	(4.935)	-	(417.593)
Payments and reimbursements	(44.019)	(44.019)	-	-	(88.038)
Social security contributions	-	-	(20.951)	(27.960)	(48.911)
Actuarial expenses	-	-	-	(193.005)	(93.005)
Total	(456.677)	(44.019)	(25.886)	(120.965)	(647.547)

	US\$ mil				TOTAL
	ELETROBRAS	ANDE	FIBRA	CAJUBI	
BALANCE SHEET					
ASSETS					
Trade accounts receivable	722.560	55.566	-	-	778.126
Agreements	-	19.908	-	-	19.908
Total	722.560	75.474	-	-	798.034
LIABILITIES					
Loans and financing	(6.273.283)	-	(45.880)	(28.170)	(6.437.333)
Payments and reimbursements	(35.806)	(35.806)	-	-	(71.612)
Social security contributions	-	-	(2.997)	(4.834)	(7.831)
Actuarial obligations	-	-	-	(731.933)	(731.933)
Total	(6.309.089)	(35.806)	(48.877)	(764.937)	(7.158.709)
INCOME (LOSS)					
REVENUES					
Revenue services provision	3.268.324	233.633	-	-	3.501.957
Financial revenues	134	2.836	-	-	2.970
Total	3.268.458	236.469	-	-	3.504.927
EXPENSES					
Financial expenses	(450.547)	-	(5.087)	-	(455.634)
Payments and reimbursements	(42.216)	(42.216)	-	-	(84.432)
Social security contributions	-	-	(20.735)	(23.065)	(43.800)
Actuarial expenses	-	-	-	(144.970)	(144.970)
Total	(492.763)	(42.216)	(25.822)	(168.035)	(728.836)

In addition to the transactions above, ITAIPU has as related parties Fundação de Saúde Itaipu, Fundação de Saúde Tesai, Fundação Parque Tecnológico ITAIPU Brasil and Fundação Parque Tecnológico ITAIPU Paraguay, due to its significant influence on the management of these entities and to the financial transactions conducted with them, such as the transfer of funds for covering administrative and investment costs.

Fundação de Saúde Itaipu and Fundação de Saúde Tesai

Hospital Ministro Costa Cavalcanti – HMCC, in Brazil, and Hospital ITAIPU Margem Direita, in Paraguay, were originally built by Itaipu Binacional to serve only the workers hired to build and operate the hydroelectric plant.

To optimize the use of these hospitals and according to its regional insertion policy, ITAIPU decided to offer these hospitals' services to the region's communities. To that end, in November 1994, as per the Board of Directors' RCA Resolution No. 019/1994, it set up a not-for-profit private law entity in charge of managing and operating Hospital Ministro Costa Cavalcanti – HMCC in Brazil. Subsequently, in March 1997, as per the Board of Directors' RCA Resolution No. 004/1997, it set up a not-for-profit private law entity in charge of managing and operating Hospital ITAIPU Margem Direita in Paraguay.

Fundações Parque Tecnológico ITAIPU - FPTI BR and FPTI PY

Established in 2005 in Brazil as per the Board of Directors' RCA Resolution No. 010/2005 and in 2008 in Paraguay as per the Board of Directors' RCA Resolution No. 035/2008, the *Fundações Parque Tecnológico ITAIPU* from both countries have the purpose of understanding and transforming the reality of the three-country

region of Iguassu, articulating and encouraging actions aimed at its economic, scientific and technological development, always respecting human beings and focusing on water, energy and tourism solutions.

The purpose of these foundations is to maintain and operate ITAIPU technological complexes contributing towards sustained regional development by carrying out activities that allow institutional, scientific, technological and innovation development, the spread of knowledge, professional training and the setup of companies. To that end, the foundations will work together with public and private academic, research, development and production entities.

Compensation to key management personnel

The compensation, charges and benefits related to key management personnel are listed below:

	US\$ thousands	
	2012	2011
Compensation to directors and board members	(7.244)	(6.503)
Social charges	(707)	(1.022)
Benefits	(947)	(1.109)
	(8.898)	(8.634)

32. SUBSEQUENT EVENTS

Giving sequence to actions by equalizing the actuarial situation of Caja Paraguaya de Jubilaciones y Pensiones del Personal de la Itaipu - CAJUBI (Note 20) on February 22, 2013, the Board of Directors of Itaipu approved through resolution Board RCA 008/13, an increase in monthly contributions required from the sponsor and active participant in order to eliminate the potential for generating future deficits in the funding of the Plan of Benefits.

SUPPLEMENTARY INFORMATION			
STATEMENT OF VALUE ADDED			
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011			
(In dollars of the United States of America)			
		2012	2011
GENERATION OF VALUE ADDED			
Revenues			
Power supply		3.291.012.000	3.291.012.000
Remuneration for transfer of power		378.718.002	267.761.087
Reimbursement of costs - Non-binding energy		128.136.896	93.378.828
Sundry revenues (expenses)		(10.484.940)	(8.376.733)
		3.787.381.958	3.643.775.182
(-) Input acquired from third parties			
Materials		16.152.007	16.169.216
Third-party services		104.645.775	106.963.208
Other operating expenses		122.372.673	189.716.646
		243.170.455	312.849.070
		3.544.211.503	3.330.926.112
NET ADDED VALUE			
(+) Value added received in transfer			
Financial revenues		51.544.219	114.483.476
		3.595.755.722	3.445.409.588
ADDED VALUE TO DISTRIBUTE			
VALUE ADDED DISTRIBUTION			
Remuneration			
Of labor			
Direct remuneration		298.282.562	297.180.181
Beneficits		152.676.209	137.883.923
Post-employment benefits		424.962.959	206.010.554
Labour damages		74.640.560	59.857.085
Pension plan		7.260.064	7.769.518
		957.822.354	708.701.261
Of government			
INSS (social security contribution) / IPI (Federal VAT)		41.155.156	42.641.572
Royalties		523.229.326	484.678.258
Payment for transfer of power rights		378.718.002	267.761.087
		943.102.484	795.080.917
Of third-party capital			
Debt charges		1.030.007.341	1.093.687.934
Currency exchange		56.155.222	(20.745.178)
Other financial expenses		67.569	28.129
		1.086.230.132	1.072.970.885
Of own capital			
Capital earnings		47.789.688	47.149.750
Reimbursement of administrative and supervision charges		40.248.410	37.282.944
		88.038.098	84.432.694
		520.562.654	784.223.831
Results		520.562.654	784.223.831
VALUE ADDED DISTRIBUTED		3.595.755.722	3.445.409.588

<u>SUPPLEMENTARY INFORMATION</u>		
<u>STATEMENT OF CASH FLOWS</u>		
<u>FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011</u>		
<u>(In dollars of the United States of America)</u>		
	<u>2012</u>	<u>2011</u>
OF OPERATING ACTIVITIES		
Results of fiscal year	520.562.654	784.223.831
Income adjustments		
Fixed-asset write-off	14.326.249	23.720.181
Monetary variations - loans	(1.219.208)	(2.694.871)
Monetary variations - estimated liabilities	24.276.329	(52.128.833)
Provisions recorded in liabilities		
Capitalizable finance charges	1.250.261	225.654
Non-capitalizable finance charges	1.028.757.080	1.093.462.280
Estimated liabilities	498.063.081	334.141.316
Adjusted income	2.086.016.446	2.180.949.558
Changes in assets and liabilities		
Change in accounts receivable from clients	(94.414.499)	(79.023.354)
Change in stockroom supplies	430.904	424.521
Change in other receivables	13.125.326	(87.037.350)
Change in payments and reimbursements	104.726.798	148.528.894
Change in suppliers and other liabilities	2.138.195	3.217.951
Change in salaries and social charges	6.457.372	(2.029.285)
Payment of accrued liabilities	(71.450.184)	(70.788.302)
	38.986.088	(86.706.925)
Net operating cash flow	2.047.030.358	2.094.242.633
INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	42.898.590	(44.607.535)
Cash and cash equivalents used in investing activities	(42.898.590)	(44.607.535)
OF FINANCING ACTIVITIES		
Loans and financing	18.589.225	29.060.019
Repayment of loans and financing	(1.027.959.833)	(964.999.258)
Payment of interest on loans and financing	(1.028.905.814)	(1.090.981.050)
Cash and cash equivalents used in financing activities	(2.038.276.422)	(2.026.920.289)
TOTAL OF EFFECTS ON CASH AND CASH EQUIVALENTS	(34.144.654)	22.714.809
Cash and cash equivalents at beginning of year	568.408.376	545.693.567
Cash and cash equivalents at end of year	534.263.722	568.408.376
Increase/Decrease in cash and cash equivalents	(34.144.654)	22.714.809

<u>SUPPLEMENTARY INFORMATION</u>		
<u>STATEMENT OF CORE BUSINESS ACCOUNTS</u>		
<u>FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011</u>		
<u>(In dollars of the United States of America - Annex I)</u>		
	<u>2012</u>	<u>2011</u>
REVENUES		
Revenues from electricity supply contracts		
Brazilian purchasing entity	3.067.990.386	3.077.435.536
Paraguayan purchasing entity	223.021.614	213.576.464
Payment for transfer of power rights	378.718.002	267.761.087
Reimbursement of costs - Non-binding power	128.136.896	93.378.828
Total revenue	3.797.866.898	3.652.151.915
MINUS:		
REMUNERATION FOR ENERGY CESSION	(378.718.002)	(267.761.087)
COST OF ELECTRICITY SERVICE		
Payments and reimbursements to High Contracting Parties and parties that constitute Itaipu:		
Capital earnings	(47.789.688)	(47.149.750)
Binding energy		
Royalties	(404.245.066)	(397.969.347)
Reimbursement of administrative and supervision charges	(31.095.774)	(30.613.027)
	(435.340.840)	(428.582.374)
Non-binding energy		
Royalties	(118.984.260)	(86.708.911)
Reimbursement of administrative and supervision charges	(9.152.636)	(6.669.917)
	(128.136.896)	(93.378.828)
	(611.267.424)	(569.110.952)
Repayment of loans and financing	(1.027.774.214)	(964.999.258)
Financial charges of loans and financing	(1.028.691.981)	(1.090.981.050)
Core business expenses		
Personnel	(560.334.705)	(534.368.806)
Materials and equipment	(29.048.989)	(42.234.098)
Third-party services	(111.090.812)	(128.557.823)
Other core business expenses	(164.592.912)	(174.420.210)
	(865.067.418)	(879.580.937)
Total cost of electricity service	(3.532.801.037)	(3.504.672.197)
ANNUAL INCOME FROM CORE BUSINESS ACTIVITIES	(113.652.141)	(120.281.369)
Prior year balance	(48.705.054)	(49.603.685)
Financial and diverse income	4.502.714	121.180.000
ACCUMULATED INCOME (LOSS) FROM CORE BUSINESS ACTIVITIES	(157.854.481)	(48.705.054)

EXPLANATORY NOTES TO OPERATING ACCOUNTS

AT 31 DECEMBER 2012 AND 2011

Annex "C" to the Treaty of Itaipu, Financial Basis and Electricity Supply Services, states that the Operating Account is represented by the annual balance between the Revenue and Cost of Electricity Service, calculated according to the criteria listed below:

a) Revenue

It follows from contracts for provision of electricity services, through the Letter of Commitment signed with Centrais Eléctricas Brasileiras S.A. (ELETROBRAS), in Brazil, and the Letter-Agreement signed with the Administración Nacional de Electricidad (ANDE), in Paraguay, according to item IV of Annex "C" to the Treaty of Itaipu, having to be the same, each year, to the Cost of Electricity Service.

The Board of Directors of ITAIPU is competent to set the unit cost of electricity service, according to the conditions set out in signed documents.

b) Cost of Electricity Service

In accordance with item III of Annex "C" to the Treaty of Itaipu and the Reversal Notes number 3 and 4, of 28 January 1986, and number 10, of 13 November 2000, exchanged between the Ministries of Foreign Affairs of Brazil and Paraguay, the Cost of Electricity Service consists of the following items:

Remunerations and reimbursements to the High Contracting Parties and to the Parties that constitute ITAIPU, namely:

Income from Capital - Calculated at the equivalent of twelve percent per annum on the participation of Centrais Eléctricas Brasileiras S.A. (ELETROBRAS) and of the Administración Nacional de Electricidad (ANDE) in the paid-in capital. From January 2001 they began to be updated according to the Reversal Note number 10 of 13 November 2000.

Royalties - Calculated at the equivalent to 650 dollars of the United States of America per gigawatt-hour generated and measured at the power plant, not being less than 18 million dollars per year, at half the rate for each High Contracting Party.

Reimbursement of Administration and Supervision Expenses - Calculated at the equivalent to 50 dollars of the United States of America, per gigawatt-hour generated and measured at the power plant, due in equal parts to Centrais Eléctricas Brasileiras S.A. (ELETROBRAS) and to Administración Nacional de Electricidad (ANDE).

Remuneration for Transfer of Energy - Calculated at the equivalent to 300 dollars of the United States of America, per gigawatt-hour, assigned to the other High Contracting Party.

Reversal Notes numbers 3 and 4, both of 28 January 1986, exchanged between the Ministries of Foreign Affairs of Brazil and Paraguay, establish that the amount corresponding to the compensation will be included exclusively in the rate to be paid by the Party that consumes the transferred energy.

The values of Royalties, the Reimbursement of Expenses of Directors and Supervisory Board and the Compensation for Assignment of Energy, calculated according to the previously mentioned, were multiplied, from the year 1992, by a factor of 4.00 (four) of which from the year 2006, as agreed by exchange of notes between the two governments Reversal, Brazilian and Paraguayan on December 8, 2005, was established for the item III. 8 of Annex "C" to the Treaty on the Transfer of Energy Compensation pass to be multiplied by the factor 5.10 (five and one-tenth).

From May 14, 2011, as agreed by Reversal Notes signed on September 1, 2009, between the Government of the Federative Republic of Brazil, promulgated by Decree No. 7,506, of June 27, 2011, and the Government of the Republic of Paraguay, approved by Law No. 3,923, of November 18, 2009, the multiplying factor of compensation for energy from Itaipu ceded to Brazil, paid to the Government of the Republic of Paraguay, increased from 5.10 (five and one-tenth) to 15.30 (fifteen integers and three tenths).

These costs will be kept constant according to the formula set forth in Note Reversal No. 3, according to the following adjustment factors:

Year	Original factor (A)	Adjustment factor (*) (B)	Adjusted factor (A x B)
1985	3,50	-	-
1986	3,50	-	-
1987	3,58	1,03161	3,69316
1988	3,66	1,07050	3,91803
1989	3,74	1,12344	4,20167
1990	3,82	1,17452	4,48667
1991	3,90	1,20367	4,69431
1992	4,00	1,22699	4,90796
1993	4,00	1,25442	5,01768
1994	4,00	1,27941	5,11764
1995	4,00	1,32219	5,28876
1996	4,00	1,35174	5,40696
1997	4,00	1,37073	5,48292
1998	4,00	1,36668	5,46672
1999	4,00	1,39071	5,56284
2000	4,00	1,45725	5,82900
2001	4,00	1,48488	5,93952
2002	4,00	1,48082	5,92328
2003	4,00	1,53284	6,13136
2004	4,00	1,59690	6,38760
2005	4,00	1,68959	6,75836
2006	4,00	1,76153	7,04610
2006	5,10	1,76153	8,98378
2007	4,00	1,81921	7,27684
2007	5,10	1,81921	9,27797
2008	4,00	1,94133	7,76534
2008	5,10	1,94133	9,90080
2009	4,00	1,85365	7,41460
2009	5,10	1,85365	9,45362
2010	4,00	1,92467	7,69868
2010	5,10	1,92467	9,81582
2011	4,00	2,03128	8,12512
Jan. to May 2011	5,10	2,03128	10,35952
May to Dec. 2011	15,30	2,03128	31,07858
2012	4,00	2,05730	8,22920
2012	15,30	2,05730	31,47669

(*) Basis: Average annual inflation index verified in the United State of America, using the "Industrial Goods" and "Consumer Prices" indexes published in the "International Financial Statistics" magazine.

Amortization of Loans and Financing: Refers to contractual obligations amortized during the year, with companies and financial institutions in Brazil and other countries.

From fiscal year 2012, CAJUBI loan amortizations are not considered in the Operating Account, referring to the contract PIB 2010-10-0001, since these amounts are being refunded to Itaipu by ANDE, pursuant to amendment No. 2 Agreement 5.808/99.

Financial Charges on Loans and Financing: Represents the amount of charges paid to companies and financial institutions in Brazil and abroad, incurred until the balance sheet date. Capitalized interest in the fiscal year, and that are incorporated into the principal debt, are not considered. Their inclusion in the cost of service will only occur upon actual payment.

Operating Expenses: They consist of all expenses attributable to the provision of electricity services, including direct costs of operation and maintenance, including replacements caused by normal wear and tear of equipment, insurance, general and administrative expenses.

Accumulated Result of Operating Account: Includes the results, positive or negative, of the fiscal year's Operating Account, plus or minus the balance of the previous fiscal year.